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Syria

Grain and Feed

Annual Report

2005

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Report Highlights:

The 2004 wheat crop is estimated to be a good crop in spite of the five week drought in the spring of 2004. Wheat stocks are still high in spite of the GOS decision to boost exports at world market prices, significantly below the local purchase prices from the farmers. The barley crop was affected by the drought and is estimated at approximately 900,000 MT. The private sector is importing significant quantities of barley. Corn imports are increasing and may exceed 1.3 million tons in 2004/2005 due to increased demand for feed, the developing glucose and starch industry, and the increase in barley prices. Egypt is the major supplier of rice as a result of competitive prices and its ability to ship small volumes.

Includes PSD Changes: Yes

Includes Trade Matrix: Yes

Annual Report

Damascus [SY1]

[SY]

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Executive Summary

Wheat production continues to be in excess of the local requirement for food and for seeding the next crop. Drought has less effect on production, as approximately 40 percent of the planted area is irrigated. Stocks are very high and provide more than a year's requirement. Barley production is affected by the drought, but the private sector imports needed quantities to make up the shortfall. Corn is the most important feed commodity and demand for it is increasing. The United States is the major supplier for corn. Rice is not produced in Syria and all requirements must be imported. Traders substitute Egyptian rice for rice from other origins due to its quality and competitive price and lower freight costs.

Wheat

PSD Table

Country:

Syria

Commodity:

Wheat

	2003		2004		2005	
	Old	New	Old	New	Old	New
Market Year Begin		07/2003		07/2004		07/2005
Area Harvested	1700	1700	1700	1700		1700
Beginning Stocks	5072	4560	5112	4860		4700
Production	4700	4700	4300	4300		4700
TOTAL Mkt. Yr. Imports	400	200	200	200		200
Jul-Jun Imports	400	200	200	200		200
Jul-Jun Import U.S.	0	0	0	0		0
TOTAL SUPPLY	10172	9460	9612	9360		9600
TOTAL Mkt. Yr. Exports	1500	1200	1000	1000		1000
Jul-Jun Exports	1500	1200	1000	1000		1000
Feed Dom. Consumption	300	300	300	300		300
TOTAL Dom. Consumption	3560	3400	3660	3660		3800
Ending Stocks	5112	4860	4952	4700		4800
TOTAL	10172	9460	9612	9360		9600
DISTRIBUTION						

Production

Wheat production was very good due to ample rainfall during the growing season. The crop would have been larger, but there was a drought in spring 2004. The General Establishment for Cereal Processing and Trade (HOBOOB) estimates the crop at 4.3 million MT. Harvested areas were reported by the Ministry of Agriculture and Agrarian Reform at 1.7 million hectares. HOBOOB bought 3.3 million MT from farmers, 10 percent below purchases from the previous crop. For the 2005/2006 crop, rains through January 2005 were good in general. The final crop size will be determined not by the planted areas (1.7 million hectares according to the Ministry of Agriculture), but by the rainfall that will enable the grains to fill up in March through early

May and by the weather conditions that will prevail during the latter part of the growing season. Based on similar rainfall patterns, post estimates 4.7 million MT for crop year 2005/2006.

Consumption

Wheat is mainly used for milling into flour for bread production. Smaller quantities are used for bulgur production, and poor quality wheat is used for animal feeding. Approximately 250,000 MT of wheat are expected to be used for planting the next season's crop. Bread consumption is increasing at about three percent, in line with the increase in Syria's population growth. Available milling capacity greatly exceeds the milling requirement for the country.

Trade

Export Trade Matrix

Country:	Syria	Units:	1000 Metric Tons
Commodity:	Wheat		
Time period:	CY		
Exports for	2003		2004
U.S.	0	U.S.	0
Others	0	Others	0
Algeria	339	Iraq	360
Egypt	146	Egypt	250
Iraq	120	Algeria	200
Italy	52	Jordan	75
Yemen	32	Yemen	32
		Lebanon	55
		Tunisia	25
		England	24
		Austria	10
Total for Others	689		1031
Others not listed	250		69
Grand Total	939		1100

Import Trade Matrix

Country:	Syria	Units:	1000 MT
Commodity:	Wheat		
Time period:	CY		
Imports for	2003	2004	
U.S.	0	U.S.	0
Others		Others	
France	25	Iraq	100
Iraq	161	Turkey	50
Russia	4		
Total for Others	190		150
Others not listed	27		50
Grand Total	217		200

Please note that trade data are published very late and on a calendar year basis. Thus, trade matrix tables in this report are based on calendar year basis.

Due to the change in policy of keeping a huge stock level to avoid losses in exports at international market prices significantly below the prices paid to the Syrian farmers, Syrian wheat exports exceed the traditional level of about 500,000 MT per year. The other reason for the increase in exports is the agreement to export large quantities to Iraq. Syria exported nearly 425,000 MT of milling wheat to Iraq in 2003/2004. These exports would have increased by 244,000 MT if the dispute on exported wheat quality had been resolved. Syria also exports wheat to North Africa and other Arab and European countries. In late 2004, Syria exported nearly 55,000 MT of milling wheat to Lebanon. This quantity is believed to be milled in North Lebanon and the produced flour exported to Iraq. Syria contracted with Egypt to barter wheat for Egyptian rice as well as other commodities. HOBBOB exports are expected to be close to one million tons in 2004/2005.

On the other hand, the private sector imports some quantities of wheat, usually from Iraq, Turkey, and East Europe due to the relatively cheaper international wheat prices as compared to local wheat prices. Syria also imports limited quantities of flour, mainly from Turkey. Syrian foreign trade statistics reported exports of 37,000 MT of wheat flour during 2003 as well as 10,000 MT during the first quarter of 2004 to Iraq. These quantities are believed to be exported by the private sector and are accounted for in the trade matrix tables.

According to trade sources, no wheat was imported from the United States in 2003 and 2004. This was due to Eastern European and Turkish wheat being cheaper, and the freight costs are much lower.

Stocks

Wheat stocks are mainly kept by HOBBOB which currently holds stocks (as a national reserve) at nearly 4 million metric tons, exceeding Syria's annual milling requirement. High-level

officials' statements confirm this stock level. The private sector keeps some stocks for their use and for seeding the next crop. The government stock level may be lowered to reduce post harvest losses and reduce storage costs. This will be achieved through increasing wheat exports sharply. It may take a few years to achieve this target. A stock level of one-year consumption requirement will be maintained in the future to eliminate the need for imports in case of a bad crop year. Stocks kept by HOBBOB are stored in concrete silos, metal silos, as well as in open storage facilities.

Policy

The decision to reduce stocks has been made, but not fully implemented. HOBBOB exports wheat at international prices, about 30 percent below the price HOBBOB is paying farmers.

Customs duties on wheat imports are set at one percent. An import permit from the Ministry of Economy and Trade is required. This is obtained after the approval of the Ministry of Agriculture and Agrarian Reform. Syria will continue to rely on local wheat production and export any surplus after keeping a national reserve for one year. Permitting imports of some quantities of wheat and flour for further processing is expected to continue in the future. Syria plans to expand its concrete silo storage capacity by about 1 million metric tons during the coming five years. The GOS expects that these silos will be utilized to replace storage of wheat in jute bags in open storage facilities and will reduce damage to the stored grain from insects, rodents, and fungi. Concrete silos are owned and managed by the General Company for Silos, under the Ministry of Economy and Trade and are mainly used for storing wheat. The private sector has been permitted to establish silos. These silos will be used mainly for storing imported grains, mainly corn and barley, as well as soybeans.

Marketing

Syria is self-sufficient in wheat production. Wheat and wheat flour imports by the private sector will be limited to relatively small quantities for pasta or for milling. Most of the imports come from close-by sources due to relatively cheap prices and low freight cost.

Barley

PSD Table

Country: Syria

Commodity: Barley

	2003		2004		2005	
	Old	New	Old	New	Old	New
Market Year Begin	07/2003'		07/2004'		07/2005'	
Area Harvested	1300	1300	1300	1000		1300
Beginning Stocks	57	100	57	230		480
Production	1100	1100	900	900		1100
TOTAL Mkt. Yr. Imports	250	600	300	700		500
Oct-Sep Imports	250	600	300	700		500
Oct-Sep Import U.S.	0	0	0	0		0
TOTAL SUPPLY	1407	1800	1257	1830	0	2080
TOTAL Mkt. Yr. Exports	300	320	100	0		200
Oct-Sep Exports	300	320	100	0		200
Feed Dom. Consumption	800	1000	850	1100		1200
TOTAL Dom. Consumption	1050	1250	1100	1350		1450
Ending Stocks	57	230	57	480		430
TOTAL	1407	1800	1257	1830	0	2080
DISTRIBUTION						

Production

Barley production is 97-99 percent rain fed. The 2004 barley crop is estimated at approximately 900,000 metric tons. Planted area was reported at 1.3 million hectares. However, the drought that hit the crop in spring of 2004 reduced the harvested area to approximately one million hectares. The remainder was grazed by sheep. Abiding by the instructions of higher authorities, HOBOOB bought less than 2,000 MT of barley from the local crop, due to the relatively small crop.

Consumption

Barley is mainly used to feed ruminant animals, including sheep and cattle. It can also be used on a very limited scale in the feed ration for poultry layers. Sheep are the major consumers of barley in Syria. The demand fluctuates from year to year depending on the availability of grass

for sheep grazing. Demand increases during drought periods and during the winter months due to the lack of grass at that time. Syria normally requires about 1.3 – 1.4 million tons of barley per year for feed use and for planting next year's crop.

Trade

Import Trade Matrix

Country: Syria

Units: 1000 MT

Commodity: Barley

Time period: CY

Imports for 2003

2004

U.S. 0

U.S. 0

Others

Others

Iraq	373	Iraq	400
Turkey	15	Turkey	50
Germany	33	Ukraine	50
Russia	11	Russia	100
Total for Others	432		600
Others not listed	168		100
Grand Total	600		700

Export Trade Matrix

Country: Syria

Units: 1000 MT

Commodity: Barley

Time period: CY

Exports for 2003

2004

U.S. 0

U.S. 0

Others

Others

Jordan	448	Jordan	58
Algeria	29		
Cyprus	34		
Saudi Arabia	20		
Lebanon	10		
Libya	5		
Total for Others	546		58
Others not listed	54		
Grand Total	600		58

The private sector imported large quantities of barley in 2004, mainly from Iraq and Europe due to lower prices in the international market as compared to the local barley that HOBOOB is buying for 7,000 Syrian pounds (USD 136) per metric ton. During 2003, and in early 2004, Syria exported large quantities of barley that had been previously contracted by the public sector for export to Jordan. At the same time, the private sector imported record quantities of barley from Iraq. According to trade sources, Syria also imports large quantities of barley from Eastern European countries.

Customs duties on barley imports are set at one percent. An import permit from the Ministry of Economy and Trade is required, which can be obtained after receiving approval from the Ministry of Agriculture and Agrarian Reform.

Stocks

HOBOOB usually keeps strategic stocks sufficient for the winter months when there is no grass to feed sheep. Surplus stocks are usually exported to Jordan, the main market for Syrian barley. With record exports in 2003 and the drought in 2004, barley stocks held by HOBOOB have dropped to a minimum. Trade sources have reported sales of shiploads of Ukrainian and Russian barley to the public sector General Organization for Fodder to make up for the quantities that were previously purchased from the local crop.

Marketing

Syrian importers rely on Iraq and European sources for barley, mainly Ukraine, Russia, and Turkey. This is mainly due to the cheap price as well as low freight cost for small quantities (about 5,000 MT per shipment) from such origins. Price considerations have prevented Syrian importers from importing barley from the United States.

Corn

PSD Table

Country: Syria

Commodity: Corn

	2003		2004		2005	
	Old	New	Old	New	Old	New
Market Year Begin	10/2003'		10/2004'		10/2005'	
Area Harvested	50	50	50	50		50
Beginning Stocks	155	235	65	260		185
Production	125	125	125	125		125
TOTAL Mkt. Yr. Imports	885	1200	1100	1300		1400
Oct-Sep Imports	950	1200	1100	1300		1400
Oct-Sep Import U.S.	837	900	900	1000		1200
TOTAL SUPPLY	1165	1560	1290	1685	0	1710
TOTAL Mkt. Yr. Exports	0	0	0	0		0
Oct-Sep Exports	0	0	0	0		0
Feed Dom. Consumption	950	950	1000	1150		1200
TOTAL Dom. Consumption	1100	1300	1200	1500		1550
Ending Stocks	65	260	90	185		160
TOTAL DISTRIBUTION	1165	1560	1290	1685	0	1710

Production

Corn production is stable and is estimated at 125,000 MT, produced from 50,000 hectares in 2004/2005. Most of the planted corn is hybrid short-season corn planted after wheat in irrigated areas. Locally produced corn has a very high moisture content, sometimes close to 30 percent and has to be dehydrated to bring the moisture content down to 14 percent before the corn can be stored. The procurement price for 14 percent moisture corn is set at 7,000 Syrian pounds (USD 135) per MT, above the current international corn prices. This is very much below the local price of imported corn that is selling now for about 8,500 Syrian pounds (USD 162) per metric ton. The General Organization for Fodder (GOF) purchased relatively small quantities of corn from the local crop in 2004/2005. The 2005/2006 crop is forecast at 125,000 MT.

Consumption

A small portion of the local crop is for human consumption and is sold as "corn on the cob". Corn is also used for the production of starch or sown as seed. Most corn, however, is used for

animal feed, in particular for poultry. Poultry production is increasing in general. However, it fluctuates from season to season due to the lack of proper slaughter, cooling, packaging, and storage facilities. Consumption of corn is increasing in Syria, which requires over one million metric tons during the current marketing season, mainly for the poultry sector. The developing starch and glucose industry requires about 350,000 – 400,000 MT per year.

Demand for corn should reach a record level due to the high prices for barley, which is selling in the local market for nearly 20-25 percent over the price of imported corn. This will lead farmers to shift a portion of the feed consumption from barley to corn.

Trade

Import Trade Matrix

Country: Syria

Units: 1000
MT

Commodity: Corn

Time period: CY

Imports for 2003

2004

U.S. 590

U.S. 1,000

Others

Others

Argentina	297	Argentina	150
Iraq	4		
Ukraine	20		
Total for Others	321		150
Others not listed	21		150
Grand Total	932		1300

According to post sources, imports are expected to reach a record, exceeding 1.3 million metric tons during the MY 2004/2005. The United States, Argentina, and to some extent Eastern Europe are the main sources. With competitive corn prices in the United States, Syrian traders prefer to buy corn from the United States who is forecast to supply about 80 percent of the imported corn to Syria. Corn imports are forecast to remain high and continue to grow, due to limited water resources that hinder expansion in domestic production. High barley prices will create additional demand for corn. Imports in MY 2005/2006 may increase further to exceed 1.4 million MT due to the development of the feed milling industry in Syria and the possibility of exporting pelleted feed to Iraq.

Customs duties on corn imports are set at one percent. An import permit from the Ministry of Economy and Trade is required. This is obtained after the approval of the Ministry of Agriculture and Agrarian Reform.

Stocks

The public sector keeps relatively small quantities of corn for its use in public sector poultry and dairy farms. However, the private trade usually keeps quantities for two months for feed and as a raw material for the starch and glucose industry. A stock level of 150,000 - 200,000 MT would be sufficient to provide for the consumption requirement of about six weeks. Any figure less than that would be inadequate.

Rice

PSD Table

Country: **Syria**

Commodity: **Rice,
Milled**

	2003		2004		2005	
	Old	New	Old	New	Old	New
Market Year Begin		01/2003		01/2004		01/2005
Area Harvested	0	0	0	0	0	0
Beginning Stocks	0	88	0	100		110
Milled Production	0	0	0	0		0
Rough Production	0	0	0	0		0
Milling Rate(.9999)	0	0	0	0		0
TOTAL Imports	170	192	190	200		200
Jan-Dec Imports	170	192	190	200		200
Jan-Dec Import U.S.	0	1	1	1		1
TOTAL SUPPLY	170	280	190	300	0	310
TOTAL Exports	0	0	0	0		0
Jan-Dec Exports	0	0	0	0		0
TOTAL Dom.	170	180	190	190		200
Consumption						
Ending Stocks	0	100	0	110		110
TOTAL	170	280	190	300	0	310
DISTRIBUTION						

Production

Rice is not produced in Syria. All the country's requirements are met through imports.

Consumption

In Syria, rice consumption is estimated to be increasing due to the increase in population and the rural-urban migration, which encourages the consumer to shift from bulgur to rice. However, increasing rice consumption is affected by the low purchasing power of the average Syrian. Each Syrian is entitled to 0.75 kilogram of rice per month at 10 SP (19 cents) per kilogram under the GOS ration card system.

Trade

Import Trade Matrix

Country: Syria

Units: 1000 M.T.

Commodity: Rice,
Milled

Time period: C. Year

Imports for 2003

2004

U.S. 1

U.S. 1

Others

Others

Egypt	117	Egypt	125
Thailand	41	Thailand	35
Australia	15	Australia	10
Spain	9	Spain	10
Total for Others	182		180
Others not listed	9		19
Grand Total	192		200

Since Syria does not plan to produce rice in the future, all rice requirements have to be imported. The 2003 Syrian Foreign Trade Statistics reported rice imports at 192,000 MT. Syrian traders estimate imports of 195,000 - 200,000 MT in CY 2004 and 2005. Egypt, Thailand, and to a much lesser extent Australia, Italy, Spain, and the United States are the major suppliers. Trade sources reported imports of about 1,000 MT of rice from the United States in 2004.

Syria barter wheat with Egyptian rice. At least 24,000 MT of Egyptian rice have been imported according to this agreement in 2004.

Marketing

Syrian consumers generally prefer medium grain rice from the United States, Australia, Italy, and Egypt to long grain rice from Thailand. However, the limited purchasing power of the

average Syrian may direct his choice to cheaper sources of rice. As a result, higher quality rice such as parboiled rice has a very limited market in Syria.

In 1997 and 2001, the private sector imported large quantities of rice (over 20,000 MT per year) from the United States, when prices were competitive. With rice prices more attractive from other origins, mainly Egypt whose rice is similar in characteristics to the American medium grain rice, the Syrian importer chooses Egyptian suppliers. Another reason for the choice of Egyptian rice is the low freight cost and the ability to ship very small quantities nearly 40 - 100 MT of rice is purchased per shipment, in a very short time, and at a much cheaper cost than from other origins. Egyptian rice is also displacing Thai rice due to the freight cost difference.